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ABSTRACT

Difficulties facing private colleges and universities in the future are considered, with attention to the situation in North Carolina. An important determinant of the future of independent higher education will be public policy. Three major considerations include: private colleges and universities are public resources and serve a predominantly public function; to the extent that private institutions educate citizens of the state, they save the taxpayers money; and it is questionable public policy to expand state-supported institutions while private college facilities lie underutilized. Of primary concern to elected and appointed state officials is the impact of the rapid shift of in-state resident enrollment since the mid-1960s. Data on enrollment trends in North Carolina are presented as illustration of the decline in the percentage of undergraduates attending private colleges and universities. This change in student choice has resulted in the need for additional facilities and increased operating costs for the state. According to studies, a primary reason students choose public over private colleges is the tuition differential. However, it is suggested that the increased tuition differential between the two sectors has not been as great as has been the increased subsidy to students attending the public sector. It is proposed that a comprehensive scholarship program based on student need be combined with a tuition offset program (addressed to the differential between the two sectors). This proposal is designed to allow students greater choice in selecting a college. (SW)

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Paper Presented at a Seminar for State Leaders in Postsecondary Education

WHAT THE NATION'S PRIVATE COLLEGES PERCEIVE AS THE IMPLICATION FOR THEIR FUTURE

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Association of Independent Colleges and Universities

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SHEEO

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Presentation by Cameron P. West, President of the North Carolina Association of Independent Colleges & Universities at the National Seminar for Inservice Education Program Seminars, Denver, Colorado December 17, 1975.

The immediate responsibility of this presentation is to react as a representative of private higher education to earlier presentations made this morning and on December 16. Furthermore, I am to comment at some length on what the Nation's private colleges and universities perceive as the implication for their future -- a future which might result from either

(a) neglect on the part of state policy makers, especially state budgetary officers, or

(b) understanding and concern in developing state policy regarding the utilization of the resources of the private sector, which is then in turn implemented by budgetary recommendations and legislative action.

The dichotomy of the Nation's private colleges and universities results from many factors, some of which I want to mention at length. Those of you from states where the private sector furnished the bulk of postsecondary educational opportunity for over 250 years following the founding of Harvard have perhaps a different orientation from those attending from states where the public institutions were in the majority almost from the beginning of its settlement.

Even in states where the private sector has been prominent historically, you find a wide range of institutions. In North Carolina, for example, with its 38 private colleges and universities, 16 public universities and 57 community colleges and technical institutes, there are institutions such as Duke, Wake Forest and Davidson with entrance standards well above the leading

public institutions, and also a number of institutions with practically open admissions competing with the community colleges and at least six of the public universities. Of the four year public and private institutions in North Carolina, using SAT and National Teachers' Exams as gauges of quality, 7 of the top 10 and 6 of the bottom 12 are private.

The contradiction is further amplified by the problem of simultaneously expressing concerns for future survival while at the same time expressing an image of viability and strength to a prospective student or donor. This morning I hope you will appreciate the dual representation of problem and opportunity.

First of all, in commenting on the paper given by Dr. Bowen, I doubt that any budgetary method for higher education, be it traditional PPBS, or "imperative planning," or fly by the seat of your pants, or the governor's priorities, or the legislator's home district, or even the immediacy demanded by scarce resources, or a combination thereof, will meet the needs of the state for economy and efficiency unless there be developed some method or procedure whereby representatives of public and private interests can sit down together in some atmosphere conducive to practical cooperation.

Every group with an organized constituency is going to want to know what the issues are, what the alternatives are, what the consequences are and hopefully will demand a reasonably accurate price tag for each of the solutions proposed. While the past way of planning and budgeting will have an influence, I predict that in a financial crisis, relatively simple means will be utilized. And I, for one, think the fiscal people will have more power than

the academic affairs group.

Even though there are major differences between states, central to any issues concerning the Nation independent colleges and universities is the contemplation of a future which will be determined by appropriate institutional goals, by financial support and by the enrollment of students in sufficient numbers. (All institutions want good students, if possible; if not, they, public and private alike, want students. Admission standards are thus more economic than academic.)

Furthermore, both private and public institutions want students who, through one support subsidy or another, can pay their bills. Both state auditors and creditors take a dim view of "Accounts Receivable".

In the other presentations there seem, with the exception of Senator Graham's remarks, a lack of appreciation for the utilization in the private higher education sector. Ken Barnes, for example, recommended contracts to utilize federal and local jails, but apparently is willing to continue building unneeded public educational facilities. He does not raise two questions which could have been included. One of these is "where do private colleges and universities fit into statewide priorities?" and "who recommends equity?"

How much more statesmanlike was Sen. Graham's conclusions that the state's responsibility to citizens is to provide space (opportunity) at a reasonable cost and to expand options for contractual services to the private sector and even to other states is a legitimate process.

Buffeted by double-digit inflation and increasing competition for traditional sources of income -- student tuition and corporate/foundation giving -- independent colleges and

universities are seeking a multiplicity of support sources to assure their survival. Considering the states' historic role in providing for the education of the citizenry, the statehouses are the logical source to augment the resources of private colleges or their students in return for public educational services.

The alternative may see independent higher education go the way of the railroads and downtown shopping districts. Too late we may find that these institutions have not outlived thei usefulness to the public good. If the diversity, the excellence, the checks and balances, and the emphasis on liberal learning leading to a system of moral values offered by the private sector as an equal partner in our dual system of higher education is a valued commodity, which few would deny, public policy-makers such as those gathered here this morning, must move now to provide true student choice to operate in America postsecondary education.

Inevitably a number of recent studies have concluded that the future of private or independent higher education, while influenced by diverse internal and external factors, is bound securely to expressions of public policy, particularly the implementation of policy. Emerging in such reports have been three major considerations:

(1) Private colleges and universities in the United States are public resources and serve a predominantly public function.

(2) To the extent private institutions educate citizens of the state, they save the taxpayers money.

(3) It is questionable public policy to expand state-supported institutions while private college facilities lie under-

utilized. (Parenthetically I would add that even when enrollment drops it may be questionable policy to fund at the $1000-$2500 level students in public institutions when students could have access and choice for a fraction of that amount at private institutions.)

Of primary concern to elected and appointed state officials is the impact of the rapid shift of in-state resident enrollment since the mid 1960's.

Using North Carolina data as an example, in 1962, of the 54,442 North Carolina resident undergraduate students attending public and private colleges in the state, 22,088 were enrolled in the private sector, i.e., approximately 2 of every 5, or 41 percent.

By fall 1968, of 81,284 enrolled, 24,635 North Carolina residents (30 percent) were in the private sector. Thus of an increase of 26,826 from fall 1962 to fall 1968, only 1,711 (9 percent) had enrolled in the private sector.

By fall 1975, total resident North Carolina undergraduates had risen to over 111,000, of which less than 25,000 (23 percent) were in the private sector. Of over 50,000 North Carolina undergraduate students added since 1966 less than 200 college parallel students were added to the private sector. Incidentally, these figures include only college parallel students and not technical and vocational program growth which has been phenomenal at the postsecondary public community colleges and technical institutes (57 in all).

According to recent public projections, a further decline in the percentage of North Carolina udnergraduates attending private colleges and universities is anticipated, with an estimated

increase of 11,000+ students by 1979 expected to be absorbed by the public sector.

An overlooked fact is what this change in college choice has meant to the state not only in additional facilities but also current operating costs. Between 1962-63 and fall 1974, North Carolina undergraduate enrollment increased by 52,279; had 41 percent, or 21,000 of these students elected to go to the private sector rather than the few who did, the savings this year alone could have been between $25 and $38 million in current operating costs. This does not include the multi-million dollar cost of capital construction since 1963 for additional instructional facilities in the public institutions.

In actuality there are many reasons why a student chooses a particular college or university. Other reasons, such as location, specific program of study or even success of a football or basketball team, may influence students to enroll. But the primary influence to which most national and state-wide studies give prominence is tuition differential. The average difference in tuition and fees between private and public institutions in North Carolina for example for 1975-76 is $1,351 for the two-year and $1,662 for the four-year college or university.

Even with costs accelerated drastically by inflation, the increase in tuition differential between the public and private sectors has not been as great as has been the increased subsidy to students attending the public sector. For example, while the increased North Carolina subsidy per public university student has risen over $1300 in the past seven years, the private college tuition has averaged only a $600 increase. This suggests that since

1968 private colleges and universities have been making extraordinary efforts to economize through cutbacks in some programs, less competitive position in faculty salaries, decreased library expenditures, and deferred maintenance.

It is evident that these trends cannot continue indefinitely. Without scholarship aid addressed to the tuition differential, all but the wealthiest students will be priced out of private colleges or universities.

Educators in the independent sector question whether it is wise public policy to continue adding millions of dollars to fund thousands of new spaces or to create additional community colleges without a stronger program of utilizing empty classroom and dormitory spaces in the private sector. The same citizens finance both sectors--the private largely through donation and the public largely through tax dollars. A public policy decision which results in wasted private facilities while funds are sought to enlarge public institutions is an unwise use of resources in this time of scarcity.

How can the total public postsecondary resources, both state-supported and independent, be used most effectively while addressing the concerns of those who legitimately question a massive influx of state funds to private colleges? To be successful a two-fold program must be established to provide both access and freedom of choice based on a clear recognition that a partial offset for the significant cost differential is essential for "choice" to operate.

The two-fold approach would combine a comprehensive scholarship program based on student need with a tuition offset

program.

The comprehensive scholarship program would be available to students attending public and private colleges. Designed to assure access, the funds would be allocated to students unable to meet the costs of a college education from family resources. Since a student's "need" (defined basically by the two nationally recognized College Scholarship Services as college costs minus expected family contribution) would be greater at the independent institution, grants would be scaled to a certain maximum. This type of program is operational in many states today, and South Carolina and Illinois provide good models.

Complementing need-based scholarships would be a program of grants designed to offset the price differential between the public and private sectors. These grants, set as a certain percentage of the states' subsidies to public colleges and universities, would allow students a reasonable degree of choice. No needs test would be required. Need is not the determining factor for those students who benefit from subsidized education in state colleges and universities, and the same principle should apply in awarding offset grants to students in private institutions.

While a number of states, primarily in those western states with few private colleges have constitutional provisions which preclude some aid programs to private college students, both the accountability and constitutionality arguments are significantly diffused by channeling funds to the students. In this way a student is granted a choice with the institution receiving nothing if he or she enrolls. Similarly, the institution is accountable only

to the extent that the student's account is appropriately credited.

The business of higher education has too long ignored the ramifications of extended growth. Public policy, in the form of conscious legislative decisions, can now spend the taxpayers' educational dollars most wisely by maintaining an equilibrium between the sectors. A small investment will permit students to attend private institutions at a fraction of what it will cost to provide the same space in a public institution.

Consider the alternative. Unless students are given additional assistance, private colleges and universities will not be able to maintain present enrollment levels. More colleges will contemplate closing, and inevitably states will need to provide even more additional spaces in the public sector.